

REPORT ON THE STATUS OF THE SANTA CRUZ HOUSING MARKET WITH IMPLICATIONS FOR THE FACULTY OF THE UNIVERSITY OF CALIFORNIA AT SANTA CRUZ

UCSC Special Advisory Committee on Affordable Housing (SACAH)

To the Academic Senate, Santa Cruz Division:

I. INTRODUCTION

The availability of affordable faculty housing is a UC system-wide issue with implications for faculty welfare, faculty recruitment and retention.

The UC Office of Loan Programs conducted surveys of recently appointed faculty in 1988, 1995 and 2001 (1). The conclusions of the most recent report highlight that there continues to be a high need for housing assistance, system-wide. The majority of recruitments are occurring at junior levels and are bringing recruits in from outside of California. In addition, many of the new faculty were not previously homeowners. The need for downpayment assistance has become more critical. The survey results indicate that the University has been successful in some ways in helping faculty live closer to campus, increasing general homeownership rates and providing assistance for new faculty hires. However the report emphasizes that current demand exceeds resources and also showed that a large percentage of those answering the survey felt that the University programs were useful to some, but not all faculty, or not useful to any faculty. Since 1995, the average homeowner cost per month has increased from \$2,152 to \$2,863, and the number of faculty reporting that former housing market was more affordable has increased from 46% in 1988 to 69% in 1995, and 73% in 2001.

A joint UCSC Administration/Senate information gathering effort generated a report that highlighted the severity of the housing crisis at UCSC (2). Data in this report show that the housing crisis is affecting the ability to hire and retain faculty. Only 59% of the offers made to recruit faculty were accepted. Salary was the most common bargaining point (the primary issue in 63% of the cases). Recruitment success increased to 90% when housing assistance was provided. The issue of salary is inextricably linked to the housing issue, since “the real question in the mind of a prospective faculty member is the relative disparity between UC salaries and the cost of local real estate”. The data indicate that there is wide agreement among the faculty that housing and salary will be key issues for attracting faculty to UCSC.

Since the joint Administration/Senate report was written, more on-campus housing has become available. The Committee on Faculty Welfare and the Administration have

worked on issues of distribution of these resources, among faculty, but also staff and non-tenured faculty. However, the housing crisis has continued to worsen, even since this report was written.

In Spring 2001, the Special Advisory Committee on Affordable Housing was convened to document the extent of the housing crisis with respect to the well-being of UCSC faculty and future of the campus and to develop a range of options for faculty. At the time of formation of the committee it was intended that the committee report:

1. on the current and projected numbers of UCSC faculty who require housing;
2. on the current and projected costs of faculty housing, both on and off campus;
3. on the issues faced by UCSC faculty in obtaining affordable housing;
4. on whether campus housing programs will meet the needs of faculty, most especially new faculty
5. on the nature and consequences of existing policies for allocation of available housing resources on campus and provide advice as to whether any changes are needed;
6. on campus planning for new faculty housing, providing input from and about intended residents;
7. on finding, developing, and creating new solutions to increase resources to enable faculty to obtain adequate housing;

the Committee shall also:

8. canvass other organizations outside our campus including U.C. campuses, U.C. Systemwide Committees, and other universities, as well as UCSC administrators, committees, and organizations, as necessary to gather information so as to complete the tasks above;
9. provide regular reports to assist and advise the Committee on Faculty Welfare, The Committee on Land Use and Building Development, and the Academic Senate as a whole.
10. coordinate its information gathering activities with the Planning and Budget Committee, the Chair and Vice Chair of the Academic Senate, and the Chancellor and Provost.

Faculty hiring and retention requires suitable, appropriate and affordable housing alternatives for faculty. Housing possibilities need to be affordable within the range of the stepped salaries of junior, mid-level and senior faculty, and need to be equivalent in quality to other locations in the country, in order to be competitive with other academic institutions. Housing locations need to provide options for choices with respect to commuting distance and local school districts. Off-campus housing options need to be made available to attract and retain faculty, as well as for the financial long-term well-being of the faculty.

The severity of the crisis has been studied and documented to some extent in various reports by the administration and Senate committees. Data gathering from the UCSC campus has indicated the concern of faculty at all levels with respect to faculty morale, and for future hires (2). Typically discussions on the availability of housing on-campus focus on the demand for on-campus housing by new faculty. There have been substantial changes in the availability of on-campus housing and the housing market during 2001 and 2002. This report will be comprehensive in nature, addressing the full suite of implications of the housing crisis for recruiting and retaining new faculty, including the need for housing assistance for off-campus housing options.

The housing crisis is not just about the availability of houses, but the juxtaposition of housing costs relative to faculty salaries and the implications for faculty welfare. Most of the current solutions have involved providing new on-campus subsidized housing. This SACAH report provides an overview of the current status of the original objectives of the committee, but also addresses 1) how the housing crisis at UCSC compares to the crisis on other UC campuses, integrated with faculty salary structures by campus, 2) how UCSC compares to other campuses in terms of housing aid in offers and retention, and 3) the variety of ways that the current housing issues have affected recruitment and faculty welfare, through specific case studies. A few examples of housing programs used by other institutions are also provided to elicit further discussion of novel approaches that could be instituted to provide additional housing assistance.

II. CURRENT AND PROJECTED NUMBERS OF UCSC FACULTY WHO REQUIRE HOUSING

The current and projected numbers of faculty requiring housing has been investigated by the campus housing office, the Administration and the CFW. Currently there are 109 faculty on wait-lists for on-campus housing. It is projected that there will be 40 hires per year over the next five years, half of which will seek on-campus housing. Thus, it is estimated that there will be 209 faculty requiring housing within the next five years (3).

III. CURRENT AND PROJECTED COSTS OF HOUSING

The housing crisis affects all UC campuses. However, the Santa Cruz campus has specific characteristics that are unique to UCSC and represent specific challenges for recruiting and retaining faculty.

The housing market in Santa Cruz has displayed large nonlinear increases during the past two decades (Fig. 1a). The average price for residential properties has increased from \$74,998 in 1979 to \$565,142 in 2002 (4). Salary increases have not paralleled these increases (Fig. 1b). There has been only a 35% increase in UC household incomes over the period 1995-2001, in contrast to 16% increase in cost of living and a 67% increase in housing (1). Housing increases in Santa Cruz are on the high end of these increases, and

Figure 1a. Average appreciation for residential properties in Santa Cruz county.

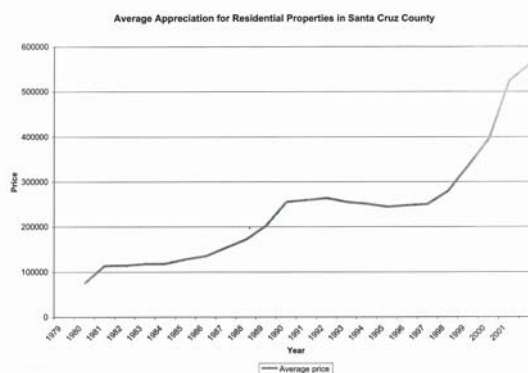
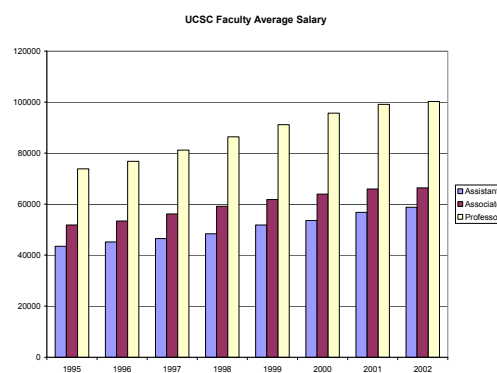


Figure 1b. UCSC faculty salaries (AHR office statistics).



residential property prices in Santa Cruz are among the highest of the UC campuses (Table 1).

Table 1. Chart I.2 of UC Office of Loan Programs Report showing high relative cost of property for UCSC faculty.

**CHART I.2
HOUSING INDEX DERIVED FROM MEDIAN SALES PRICE FIGURES
FOR COMPARISON 8 INSTITUTIONS
AND UNIVERSITY OF CALIFORNIA CAMPUSES**

Institution	Median Sale Price ¹	Index
U. of Virginia	124,000 ²	1.00
SUNY Buffalo	126,000 ⁴	1.02
U. of Illinois	170,000	1.37
UC Riverside	205,000	1.65
U. of Michigan	282,000	2.27
UC San Diego	313,000	2.52
Yale	330,000 ³	2.66
UC Davis	357,000	2.88
UC Irvine	451,000	3.64
Harvard	534,000	4.31
MIT	534,000	4.31
UC Los Angeles	535,000	4.31
UC Santa Barbara	575,000	4.64
UC Berkeley	588,000	4.74
UC Santa Cruz	708,000	5.71
UC San Francisco	911,000	7.35
Stanford	1,225,000	9.88

¹ Housing figures taken from Coldwell Banker Housing Price Index dated Spring 2001 except as noted. The Coldwell Banker Index lists the median sales price of a similar home in various markets. Data is for the 4th quarter of 2000 and reflects the average of at least four recently sold homes in each market. Subject home is a single-family dwelling, approx 2200 sq. ft. with 4 bds, 2-1/2 bths, family room and 2-car garage.

² Housing figures from Charlottesville Area Association of Realtors website www.caar.com/news/rend2000.asp. Median sales price of homes sold in 2000. This figure includes all homes that were listed on MLS - it is not limited to the specifications of the "subject home" used in the Coldwell Banker Housing Price Index.

³ Housing figures from www.thewarengroup.com Real Estate Records Search to obtain list of homes sold in last quarter 2000. Used www.domainia.com to obtain prices of list homes. Criteria used was similar to Coldwell Banker survey (at least 4 bds, 2-1/2 bths, 2200 sq ft.)

⁴ Housing figures from Buffalo Niagara Assoc of Realtors website www.bnar.org. Look under Knowledge, Successful Transactions, Buffalo Niagra Celebrates Our Communities.

IV. ISSUES FACED BY FACULTY IN FINDING AFFORDABLE HOUSING

A. Issues for "New Faculty": The SACAH addresses the needs and concerns of "new faculty". Although there are many general similarities in issues across career levels, there are also differences in the needs and specific requirements of faculty, associated with differences in family structure, financial situation and expectations and retirement plans.

Entry level faculty face severe discrepancies between salary levels, and mortgage expenses (Table 2). Average faculty salaries at UCSC are \$58,711 for Assistant Professor, \$66,344 for Associate Professor and \$100,219 for Professor (5). Less than 60% of the faculty at all ranks receive summer supplemental salary (average compensation of \$14,411 for Assistant

Professor, \$12,929 for Associate Professor, and \$17,078 for Professor). Entry level faculty are in the worst position for entering the housing market as their salaries are the lowest, resources for down payments are hard to obtain, and young faculty often have expenses associated with beginning families (Table 2). Even though a large fraction of the UCSC faculty have 2 income families (2), a significant fraction do not, and even those that do have difficulties meeting the discrepancy between income and expenses detailed in Table 2.

New mid-career and senior faculty face somewhat different issues from entry level faculty, particularly in recruitment. These faculty usually own homes in other areas of the country or world, in very different housing markets. The transition to the Santa Cruz housing market often means a reduction in quality and size of housing and a reduction in salary available for non-housing expenses. These faculty are faced with obtaining funds for down payment for a large mortgage. A reduction in quality of life associated with the economic differential may not be acceptable to the spouse or family, even if the UCSC position is attractive to the faculty candidate.

Table 2. Estimates of monthly expenses and income recently calculated during attempted recruitment in the sciences. Assumptions: Family of two to four with modest lifestyle, purchased 450K home with 50K down payment, single car in good condition - no auto loan payments, no medical/dental expenses not covered by insurance, no investments/college savings, no hobbies, vacations or personal expenses, no home maintenance or repairs, no toys for the kids, no pets, no appliance purchases/repairs, no budget for clothing, shoes, etc.

EXPENSES

	<u>monthly</u>	<u>annual</u>
mortgage payment (400K mortgage)	\$2,500	\$30,000
property taxes	\$375	\$4,500
homeowner's insurance	\$85	\$1,020
car expenses (insurance, registration, repairs, gas)	\$200	\$2,400
A permit	\$32	\$600
food	\$600	\$7,200
electricity/natural gas	\$100	\$1,200
other utilities (water, sewer, garbage)	\$75	\$900
phone with long distance	\$30	\$360
basic cable	\$35	\$420
daily newspaper subscription	\$11	\$132
health/life insurance	\$100	\$1,200
federal and state taxes	\$400	\$4,800
social security/medicare (7.65% of up to \$87K)	\$350	\$4,200
	subtotal (assuming no day care expenses)	\$4,893
	day care (one child)	\$700
	day care (two children)	\$1,400
	total with one child	\$5,593
	total with two children	\$6,293

INCOME

9 month salary for Assistant Professor step 3	\$4,308	\$51,700
12 month salary for Assistant Professor step 3	\$5,730	\$68,761

"DISPOSABLE" INCOME WITH 9 MONTH SALARY

with no child care expenses	-\$585	-\$7,016
one child in day care	-\$1,285	-\$15,416
two children in day care	-\$1,985	-\$23,816

"DISPOSABLE" INCOME WITH 12 MONTH SALARY

with no child care expenses	\$837	\$10,045
one child in day care	\$137	\$1,645
two children in day care	-\$563	-\$6,755

B. The Effect Of The Housing Crisis On Recruitment, Retention And Faculty Welfare: The housing issue affects different faculty in different ways, depending on financial and personal situations, and personal preferences. In this section, we document specific case studies, to demonstrate the breadth and depth of the housing crisis, and the effects on, faculty recruitment and faculty welfare.

1. Quoted from a senior-level faculty from another institution who was considering a position in the Division of Natural Sciences 5-6 years ago: “The cost of housing was the single largest factor impacting my decision about taking a position at UCSC. We spent a couple of days looking at houses in the Santa Cruz area and concluded we'd be spending at least \$500k on a house that would accommodate our family. That is over twice the cost of our home in SC or TX. I also found some statistics indicating the overall cost of living in Santa Cruz was 36% higher than in Columbia ,SC. I did not find such a statistic comparing Corpus Christi, TX (my former home) to Santa Cruz, but I'm sure it would be similar. There was only a \$5k difference in salary I was offered from the three institutions (UCSC, UT, USC). Similarly, my wife found only a minimal difference in her salary as a high school math teacher among the three locations. I would have liked to join the excellent faculty at UCSC, but we decided that it was too expensive to consider with our oldest daughter just starting college and two more going off to college within 8 years. A postdoc in my lab, (*name deleted*), recently started a tenure-track position at UC-Davis and he was offered numerous forms of financial assistance to make the move to Davis a possibility. This included a substantial sum of money to put down on a house as well as a loan. I believe this made the difference for (*name deleted*) to accept the position. If UCSC had offered a similar assistance package, I believe it would have made the difference in our decision.”

2. We sent out a questionnaire to all department chairs regarding how the housing problem and received nine responses. The first one by John Tamkun (Biology) was the most detailed. We will give it its entirety below (including the questions asked). His answers speak for themselves. Housing clearly was a major hiring issue in his department. We then summarize six other reports which said that no offers were turned down due to the housing costs. Finally we give the letters of two department chairs from the the School of Engineering: David Draper (Applied Math.) and Ira Pohl (Comp. Sc.) (see Appendix). Both letters detail the dramatic effect of the housing shortage on the recruitment efforts of the Engineering School.

Responses of John Tamkun (Biology) to questionnaire:

a. *How many positions did you have to fill?*

Two during the past two years.

b. *How many offers where turned down mainly due to housing costs in Santa Cruz?*

One so far and we are probably about to blow a second recruitment for

an Associate Professor due to this problem.

c. How many of your FIRST candidates turned down your offers due to housing costs?

See answer to a.

d. How many of your positions were you able to fill?

It is still too early to say about our current search, but possibly zero.

e. Do you have specific examples or comments by candidates that highlight the seriousness of the issue?

I could go on at length about this. The bottom line is that we pay faculty much less than those at comparable institutions, even though the cost of living here is astronomically high. Here is one specific example. We tried to lure an assistant professor at another university to our department. With only three years of experience as an assistant professor, they already earn as much as we pay an associate professor, step IV. They are so concerned about the high cost of living and low pay that they did not even come out for a second visit. Here is an exact quote from a recent email from this individual:

"regarding the salary situation: here it comes! Based on data provided by the Center for Mobility Resources (4Q2002) and formulas adopted by the Bureau of Labor Statistics, my current salary compares to \$170,000 in Santa Cruz. That's if you want to buy a house. We both feel that we are really done with renting, have done this for all of our married life before moving here. This does not include taxes (which are also higher). Yikes!!! I don't know whether you have access to other sources to calculate this - sources on the internet vary. This was the most recent and also the most reliable."

I checked out CMR site and found that her information is correct.

f. Do you have any suggestions for how the administration might be able to help?

Increase faculty and staff salaries. Reinstate down payment assistance for new faculty. Explore options for equity sharing. Make housing assistance a high priority for fund raising. Pay more attention to child care needs. The cost of infant care is approaching 1,000 a month. Young faculty shouldn't have to choose between having a family and accepting a job at UCSC.

g. Anything else you want to say: It seems that many senior faculty and administrators who own nice homes do not fully appreciate how angry and frustrated junior faculty are about this issue. If nothing is done to address salary and housing issues, the only faculty who will come here are those who are independently wealthy or are unable to secure employment elsewhere. As our ability to recruit new faculty declines, the administration will need to pay much more attention to retention problems.

In the six shorter responses, the chairs reported that even though all their positions were filled, housing was a major concern. Suggestions included building more housing on campus and providing "zero-down-payment loans" (Making down payments is the single biggest problem for younger faculty). One chair reported: "All our offers were accepted. But, in all three cases, we had to provide special start-up package arrangements that included temporary housing subsidies in order to attract them. Two of the three are now talking about leaving (and one has another very attractive offer) if we can't help them buy homes within the next few years."

3. Several current UCSC faculty were interviewed to provide case study examples of how the housing crisis affects faculty welfare. Interview questions included: a. Please describe your present living situation (how many people, square footage of housing, percentage of take home income spent on housing); b. What knowledge of housing or offers of assistance were available before you took the job?; c. How did you find housing when you arrived to UCSC?; d. What about alternative sources of financing?; e. What would you have liked to know before coming to UCSC and would this have influenced your decision?

a. Associate Professor X is in the sciences division. During the recruitment stage, no information about housing was provided by colleagues, chair, or dean. "I was told that one can apply for faculty housing and that I could be sure to get a place at the time I would arrive. But that turned out not to be true. When I arrived I could not get into faculty housing although I had applied for it more than half a year before I arrived. Also no information was provided concerning the tightness of the housing market." Because the official housing lists had listings with unaffordable rents, X relied on personal networks to find housing. X slept in the office for 3 weeks while initially searching for housing. At the same time X had a transferring graduate student who also stayed overnight in the office. Later X was able to sublet a room from a visiting scholar in Hagar Ct. for the first term. X's family moved to Santa Cruz after X was able to get a Hagar Ct. apartment which cost about 24% of X's take home income. The 900 sq. foot residence felt much smaller with 2 adults and three children. With a 3 year limit in Hagar Court housing, X embarked on a 3 month search for off campus housing which took about 10 hours each week. Entry level housing in the area at the time was in the low \$300,000s. X visited many listings which were substandard and required much repair and maintenance. A few were in such poor condition, the residences "smelled like an animal". Living in crowded quarters and the slowness of visa status changes led X's family to return overseas. X has remained in faculty housing on a year's extension. The current condo has water leakage such that even visiting students remark on being embarrassed by the housing. Despite loving the beauty of Santa Cruz, having good students, and being appreciated by colleagues, X expresses a sense of "betrayal" and being "stuck for the rest of your life" because "this was not the life I envisioned, it's like being in the ghetto or military." It is important to have diversity in one's living conditions. X also notes that "many things here make life difficult" such that there is an "erosion of morality". The housing situation has had a negative impact on X's productivity and sense that UCSC can be a tier 1 university. X knows of a handful of

colleagues across campus who also face similar dire personal situations due to the stress of housing. X suggested that the university should offer additional help with alternative financing to enable faculty to purchase homes at the mid-level which can accommodate those with families. “An additional 20% can make a big difference.”

b. Assistant Professor Y is in the arts division. During the recruitment stage, information about the tight housing market was generally described by colleagues and chair. Y contacted the faculty housing office to waitlist for an apartment immediately after accepting the job. A MOP loan was made available however the amount was not enough to meet even entry level listings of \$450,000. After looking for several weeks, Y and Y’s spouse decided to move into a Hagar Court apartment which became available in the fall. After two years, the rent in Hagar Court was raised and they decided to move off campus. Y spent 6 weeks of intensive searching to find an off campus rental, a 2 bedroom house of 980 square feet for \$2000/month, nearly 80% of take home income. Y is resigned to probably never being able to be a homeowner in Santa Cruz. Being untenured, Y’s focus has been on the job and Y notes that the worries of housing have been “a source of frequent concern and aggravation”.

c. Associate Professor Z is in the social sciences division. During the recruitment stage, the tight housing market was generally described by colleagues and chair. “But nothing prepared me for how long it would take to find affordable housing that wasn’t substandard for my family of four. I was fortunate that a townhouse in Dickens Way opened up”. There were many colleagues who wished to purchase homes on campus because there were no viable alternatives off campus nearby. Z currently lives on campus and finds the community to be convenient but “feels like a goldfish bowl” where there is little privacy at times. Z believes that the housing situation on campus with just 2 bedrooms is fine for single academics or those without children. However, trying to fit 2 kids, 2 adults, and a pet in a 2 bedroom townhouse has been unbelievable. Z recommended that future campus housing only be 3 bedrooms. The housing office should also offer more information on alternative financing for off campus as well as on campus housing.

C. UCSC Salaries and Cost of Living In Santa Cruz: UCSC has among the lowest average salaries in the UC system (1). Between 1995 and the 2001 UC survey, income levels rose 35% compared to a 67% increase in average house prices. Prices in the Santa Cruz area have risen since the data for the 2001 survey were collected (Fig. 1).

Typical monthly payments required for a 3-4 bedroom house (particularly at 2003 house

Table 3. Cost of living comparison at time of this report between sample U.S. cities (Yahoo! real estate). Cost of living in Santa Cruz is equivalent to many of the higher priced areas of the country, including Boston, Los Angeles, and San Diego. The cost of living is higher than many low priced areas.

City	Cost of living index
Santa Cruz	121
New York, NY	122
Oakland, CA	157
Stony Brook, NY	178
Boston, MA	120
San Diego, CA	126
Los Angeles, CA	128
Detroit, MI	81
Dallas, TX	110
Baltimore, MD	103
Seattle, WA	113
Riverside, CA	122
Chicago, IL	103

prices) in Santa Cruz (assuming many faculty will or are, raising children and require a 3-4 bedroom house), exceed many faculty incomes (Table 2). The cost of living is relatively high (Tables 3, 4), and salaries are relatively low (Tables 5 and 6). An example household budget, using rather conservative estimates for major budget categories is shown in Table 2. In this analysis, the monthly costs meet or exceed typical after tax, after benefit, take-home income of faculty with salaries less than \$100,000. Even with a second income, which in the Santa Cruz area is usually much less than \$50,000, take-home salaries are severely challenged by the combined costs of living and real estate. Although almost ¾ of the faculty are two wage-earner families (1), more than a quarter are one wage-earner

families. These calculations do not take into account maintenance, repairs, emergency health costs, or savings, etc (Table 2).

The costs of housing in Santa Cruz are among the highest in the UC system. (Table 1), but the average payment to income ratio for the newly appointed faculty are within the range of values at other campuses (Table 5). The cost of living in Santa Cruz is substantially higher than in cities with competitive institutions (Table 4), requiring a 20%-86% increase in salary to offset the cost of living differential (Table 4).

Table 4. Salary calculator (Realtor.com) showing salary equivalent (relative to \$100,000) needed to live in Santa Cruz relative to example comparison cities.

Comparison City	Santa Cruz
Princeton, NJ	\$136,497
Boston, MA	\$120,748
Chapel Hill, NC	\$186,205

UCSC salaries are low relative to housing costs. The UCOLPHS report (1) shows that residential properties in Santa Cruz are among the most expensive of the UC system, and higher than competitive institutions. In contrast, average salaries are lower. Table 6

Table 5. Monthly housing costs in relation to income for UC campuses (Table 3, Office of Loans program 2001 Survey report).

TABLE 3: Monthly Housing Costs: 2001 Survey Data

Campus	Households that Rent			Households that Own			Net Proceeds from Sale of Prior Home			
	Average Rent	Average Income	Average Rent/Income	Average Payment	Average Income	Average Paymt/Income	No. of Responses	Average Proceeds	Minimum Proceeds	Maximum Proceeds
Berkeley	\$1,643.46	\$7,202	22.82%	\$3,201.49	\$10,387	30.82%	47	\$114,107	\$15,000	\$635,000
San Francisco	2,149.18	9,854	21.81	5,032.84	11,922	42.21	30	179,900	(99,998)	600,000
Davis	1,203.13	7,131	16.87	2,242.62	9,422	23.80	64	97,882	(15,000)	364,000
Los Angeles	1,550.20	8,123	19.08	3,353.48	10,704	31.33	57	119,962	3,000	700,000
Riverside	971.41	5,823	16.68	2,234.04	8,883	25.15	26	112,715	(2,000)	500,000
San Diego	1,022.64	5,506	18.57	3,521.80	10,028	35.12	45	186,511	6,000	970,000
Santa Cruz	1,489.19	5,721	26.03	2,492.62	8,860	28.13	11	61,636	(2,000)	300,000
Santa Barbara	1,227.95	6,258	19.62	3,032.67	9,226	32.87	14	142,857	(30,000)	350,000
Irvine	1,084.04	7,335	14.78	2,477.08	9,048	27.38	25	110,752	7,000	675,000
Total	\$1,466.56	\$7,357	19.93%	\$3,007.95	\$9,909	30.36%	319	\$125,147	(\$99,998)	\$970,000

shows the fraction of the faculty with salaries under \$100,000 and \$75,000, respectively. Santa Cruz has the highest percentage of faculty of all the campuses, with salaries in these categories. Thus, the UCSC faculty as a whole, may be less well paid in relation to the needed housing costs.

These monthly costs are largely conservative budgets. Mortgage expenses are highly variable, but with the exception of older mortgages (predating 1995), are very conservative for the post 1998 market. Approximately 3/4 of the UCSC faculty households are 2 wage earner families (1), but the majority of Assistant and Associate Professor household incomes UC-wide are under \$100,000-\$125,000 per year. Thus, typical budgets meet or exceed monthly salaries of UCSC faculty families. Major uncertainties in these budgets are numbers of vehicles and associated expenses, and child-care and education (college) expenses, as well as savings and supplemental retirement savings.

Table 6. Percent of faculty, by campus, with incomes less than \$100,000 and \$75,000. From UC Office of Loans Program survey.

Campus	% <\$100,000	% <\$75,000
Berkeley	47.2	25.5
Davis	44.3	24.4
Irvine	41.6	29.6
Los Angeles	31.3	19.8
Riverside	59.2	32.9
San Diego	39.4	17.5
San Francisco	15.7	2.2
Santa Barbara	56.1	28.8
Santa Cruz	67.2	52.7

D. Housing Assistance: UC campuses can provide housing assistance in the form of MOPS (Mortgage Origination Program), supplemental loans, and housing allowances. According to the UCOLPHS survey (1), UCSC has provided housing assistance to a large fraction of new faculty. However, it is unclear what the nature of this assistance was, and whether the assistance is competitive for recruiting and retaining faculty. These offers include MOPS loans, and in some cases housing allowances, and was influential in recruiting faculty (Figure 2a). On the other hand, about 2/3 of the faculty responding to the 2001 questionnaire indicated that the housing assistance was not useful to most, if any faculty (Figure 2b).

It is important to note that the effect of the recruitment offer lasts longer than the initial commitment of the candidate to join the UCSC faculty. In some cases, faculty arrive to find themselves in awkward financial and living situations, that lead ultimately to loss of the faculty to institutions that can provide better living conditions, or higher salaries.

Housing allowances can be used by UC campuses to assist with down payments, mortgage payments or other housing costs. The assistance can be paid as a lump sum or in a series of payments. The use of state funds for this purpose were prohibited by the UCSC EVC in a memo dated January 19, 2001, on the basis that “I do not believe the campus has the resources to afford this in a reasonable and equitable way across divisions”. UCSC is one of the UC campuses that has rarely used the housing allowance in recruitment and retention (Table 7). The committee recommends that this policy be re-evaluated, in order to be successful in recruiting new faculty.

E. New Housing Issues

There is a growing potential for disparities in faculty housing prices: New larger faculty units will be listed at \$450,000 while the equivalently sized older units sell for a maximum of \$220,000. While a difference in selling price is to be expected, this gap is artificially large. This is likely to create a situation in which the cheaper older units are especially coveted.

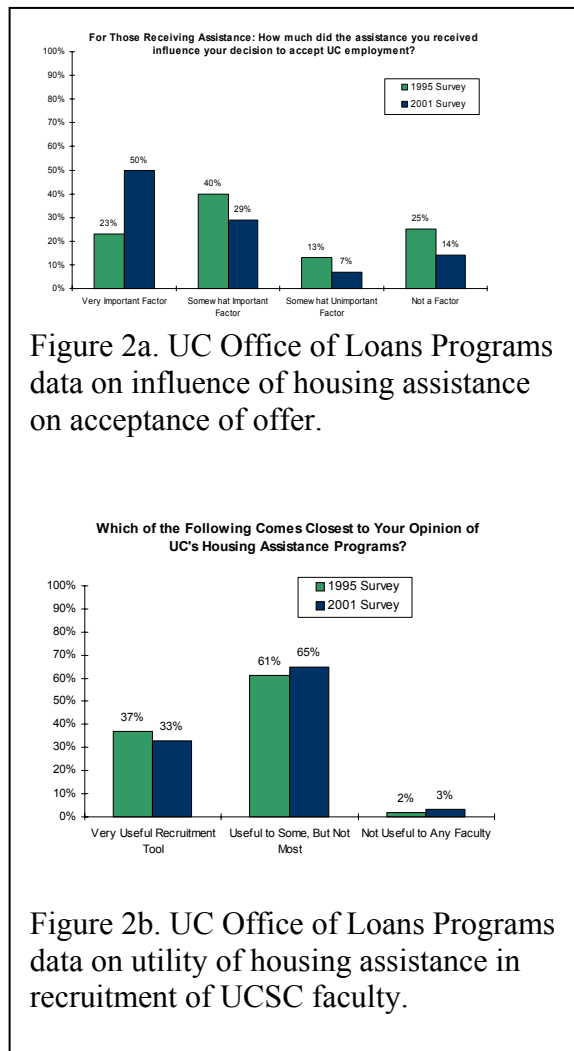


Figure 2a. UC Office of Loans Programs data on influence of housing assistance on acceptance of offer.

Figure 2b. UC Office of Loans Programs data on utility of housing assistance in recruitment of UCSC faculty.

F. Summary of Effects of the Housing Crisis:

1. Housing assistance for new faculty has been insufficient to attract and retain faculty, and needs to be more broadly applied across divisions.
2. UCSC is one of the most expensive UC campuses, relative to salary compensation.
3. The MOP program is important but needs to be more available to faculty, and additional options are needed, for example for down payment assistance.
4. The housing allowance, previously used by the natural sciences division and engineering, is a necessary means of attracting new faculty in the sciences .
5. Other universities provide more housing support options .
6. The housing costs vs. salary compensation has changed creating large inequities between new faculty and long-term faculty that benefited from the housing market.

Table 7. Table I.C. of the Annual Report on University Employee Housing Assistance Programs (6)

Table I.C: Salary Differential Housing Allowance Program Statistics by Location
(As of June 30, 2002)

Location	Number of Allowances	Dollar Value of Allowances	Average Allowance Amount	Recruitment	Retention
Berkeley	192	\$6,239,847	\$32,499	144	48
Davis	29	516,127	17,797	26	3
Irvine	199	3,487,260	17,524	193	6
Los Angeles	615	12,100,767	19,676	545	70
Merced	0	0	0	0	0
Riverside	60	746,039	12,434	54	6
San Diego	283	5,524,428	19,521	274	9
San Francisco	80	4,035,007	50,438	72	8
Santa Barbara	315	4,152,544	13,183	293	22
Santa Cruz	18	730,115	40,562	18	0
Totals/Average	1,791	\$37,532,134	\$20,956	1,619	172

V. WILL CAMPUS HOUSING PROGRAMS MEET THE NEED OF FACULTY ?

1. Housing availability: There are currently 69 units for sale, and 50 additional units in Hagar Court will soon be available, another 13 at Laureate Court and 74 in Ranchview Terrace (“Inclusionary D”, to be completed within 2 years). Thus, there are a total of 206 units available or to be available within the next 2 years. Faculty hires are projected to be 40 per year over the next five years, with 50% of these needing on-campus housing. Total faculty demand is projected to be 209 over the next five years which roughly is met by the known available units. Beyond five years, it is unclear how increasing faculty demand for housing will be met. Thus, the housing crisis is likely to worsen within five years. In addition, there are a number of assumptions on which these

calculations are based, such as that only 50% of new faculty seek on-campus housing. Although this may have been true in the past, this fraction could change as the prices of real estate in Santa Cruz have continued to climb.

2. Housing programs: Housing assistance has been provided in some form to most new faculty (UC Office of Loan Programs report). However, there are still a large number of faculty that have not received sufficient funding to enter the housing market, or have had long waits in administration of funds.

VI. THE NATURE AND CONSEQUENCES OF EXISTING POLICIES FOR ALLOCATION OF AVAILABLE HOUSING RESOURCES

One of the housing issues has been the policy for distribution of on-campus housing among faculty, as well as non-senate faculty and staff. There have been problems with the policy in terms of deciding which faculty members have priority. The policy was changed and a number of faculty were put on a “transition “ list, prior to development of the new policy. There are currently faculty on both the transition list and the new policy list. Allocation policy for these units for distribution among senate faculty, non-senate faculty and staff, is currently being developed and will be described in a forthcoming report by the Campus Welfare Committee (Housing Access Policy report).

VII. CAMPUS PLANNING FOR NEW FACULTY HOUSING

Currently, future campus planning is based on the 206 units that include units in the recently purchased Laureate Court and the units being built in “Inclusionary D”. These 206 units are believed to accommodate the growth of the faculty over the next five years, based on a number of assumptions about the fraction of new faculty interested in on-campus housing. Plans for beyond five years, or to accommodate unanticipated increased demand within five years, should be initiated now.

VIII. FINDING, DEVELOPING, AND CREATING NEW SOLUTIONS TO INCREASE RESOURCES TO ENABLE FACULTY TO OBTAIN ADEQUATE HOUSING

Finding new solutions to increase resources to enable faculty to obtain adequate housing is probably the most likely positive contribution that this committee, CFW and the administration can make to alleviate the housing crisis. Other institutions provide some options for housing assistance. For example, at Stanford University, The Housing Allowance Program (HAP) is a taxable fringe benefit that provides additional compensation to faculty for a fixed term starting with their initial home purchase. HAP is a program that is intended to address the difference in the cost of home ownership between the Stanford area and areas in proximity to other major research Universities. HAP declines on a linear basis by 1/9 each year. If a different home is purchased during the HAP term, the remaining HAP balance is transferable to

the new home. In the past year, if needed for the down payment, faculty could take the equivalent of the first two years of payments as a one-time payment. HAP is available to faculty who do not own a home in the local area at the time they receive an offer of an appointment at Stanford. Emeriti are not eligible for HAP. For example, currently a faculty member with a 9 month salary of \$50,000, \$100,000, or \$150,000 obtains a first year payment of \$12,750, \$17,000, or \$21,250, respectively. This amount decreases over a nine year period to 0 on a linear basis.

The Fixed Rate Amortizing Mortgage (FRAM) is a low market fixed interest rate loan to assist faculty and senior staff by providing a loan for a portion (60%) of the purchase price of a home. FARM is to be used for a purchase, not to refinance existing mortgage loans. This seems to be very similar to our MOP loan except that it has fixed interest rate.

The Mortgage Assistance Program (MAP) loan is an interest only, nonamortizing loan that has a low, fixed Current Interest rate and Deferred Interest that is payable at the time of sale, prepayment or refinancing. MAP is to be used for a purchase, not to refinance existing mortgage loans. The MAP borrower is able to purchase a more costly home than if he/she used only a conventional mortgage. Current Interest (3.5% at the moment) payable on the MAP loan is lower than a market interest rate on a conventional mortgage; and no principal payments are made during the term of the loan. One can finance up to 50% of the purchase price of a home with the MAP. The Deferred Interest one has to pay at the time of sale is defined as the lower of (i) Stanford's share of Appreciation, or (ii) an amount of interest which, when added to Current Interest previously paid to Stanford, would result in a return to Stanford on the Outstanding Principal equal to the Applicable Federal Rate plus 2% per year. So for example, if 50% of the purchase price is financed by the MAP, and the property is sold for \$100,000 more than the purchase price was, Stanford's share of Appreciation is \$50,000.

UCSC solutions will require coordinated efforts between the administration and the CFW in order to find realistic solutions that can be used within the administrative context of the UCSC campus. These solutions should:

1. Provide *competitive*, not adequate, housing for faculty. Faculty recruitment and retention requires offers of equivalent quality of life for faculty comparing careers and life in the Santa Cruz area to other areas in the country. There is a tendency for administrators and faculty involved in recruitment efforts to inflate the quality of life in the Santa Cruz area and deflate the quality of life in other areas of the country, in their dealings with recruitment candidates. The realistic perception of the comparison that faculty are making is important in attempts to provide a competitive offer to recruit and retain faculty.
2. Provide solutions for faculty across divisions in order to maintain quality and faculty welfare across campus. This does not necessarily mean that resources will be equivalent across divisions, but should, at minimum, reflect the market such to provide competitive offers.

3. Provide economic means to facilitate entry of faculty into the housing market of the area. Without this, faculty ultimately become dependent upon University subsidized housing, even into retirement.

Solutions may include:

- a. Obtaining additional resources from UC on the basis of documentation of the Santa Cruz problem.
- b. Increasing the use of “housing allowances”. Housing allowances make it possible to offset the price differential and initial down payment costs of a house in Santa Cruz relative to other areas of the country. This is often absolutely necessary if attempting to attract faculty who own a house in another part of the country.
- c. Increasing the availability of MOPS support for faculty, and enhanced distribution across campus.
- d. Increasing UCSC salaries to be competitive across UC campuses, in relation to housing costs
- e. Use of financial assistance programs such as those used by other competitive universities, to make it possible for faculty to buy into the inflated real estate market
- f. Develop creative new solutions that involve equity sharing, or group investments.

Solutions “a-d” need support by the UCSC Administration. “E” and “F” require development of creative new plans. The efficient development of such plans requires the targeted efforts of financial consultants, the Administration and faculty in order to find realistic attractive solutions. This task should be given to the CFW or a special committee.

VIII. SACAH Recommendations for the UCSC campus

1. UCSC salaries need to be adjusted to meet the housing price differential.
2. MOP loans need to be used more effectively and the distribution across divisions needs to be evaluated.
3. Housing allowances are a necessary recruitment and potentially retention tool.
4. Realistic and truthful information needs to be communicated to candidates and new faculty.
5. Programs need to be devised to facilitate movement of faculty to off-campus housing, to free up on-campus housing as well as for the long-term financial well-being of the faculty.
6. Alternative means to provide financial assistance needs to be researched and approached aggressively. This may be the appropriate objective for SACAH if it is to continue as a committee beyond 2003.

Respectfully Submitted,

SPECIAL ADVISORY COMMITTEE ON AFFORDABLE HOUSING

Robert Boltje

Scott Brandt

Nancy Chen

Kirsten Silva-Gruesz

William Sullivan

Manfred Warmuth

Jonathan P. Zehr, Chair

April 25, 2003

References and footnotes

1. University of California Office of Loan Programs 2001 Housing Survey of Recently Appointed Faculty. Summary of Survey Results. June 2002.
2. <http://senate.ucsc.edu/cfw/Housing.Rpt.Jan01.html>
3. Data from Steve Houser, Faculty Housing Manager, UC Santa Cruz.
4. Statistics from the Santa Cruz Association of Realtors
5. UCSC Academic Human Resources.
6. Annual Report on University Employee Housing Assistance Programs. Fiscal year ending June 30, 2002
(<http://www.ucop.edu/facil/olp/annualreport/2002/AnnualReport2001-02.pdf>)

APPENDIX

Letter from David Draper to the Faculty Welfare Committee
re the housing problem:

Greetings to the Special Academic Committee on Affordable Housing:

I write -- as Chair of the newly forming Department of Applied Mathematics and Statistics -- to express continued concern over what can only be described as the UCSC crisis in faculty housing. The recent developments in Hagar and Laureate Courts are highly welcome, and the Inclusion Area D housing -- when and if it becomes available -- will also help, but we should not fool ourselves into thinking that the chronic problem of extremely high rental and purchase prices for housing in the Santa Cruz area is anywhere near solved. In my own Department we have been unable to recruit two extremely prominent senior statisticians in the last two years, and the inability of senior faculty to move to UCSC without suffering a significant decline in quality of life has been the main reason for losing these people. More broadly within the School of Engineering, people with personal experience on Computer Science (CS) search committees over the past few years tell me that this problem has dramatically affected their ability to recruit. Last year alone, something like 9 of the 10 people who turned down CS offers said that the housing situation was a principal factor in their decision, while the two people CS did hire both had strong reasons for being in this area. Two recent presentations, one from Roger Anderson and another from the housing office, suggest that despite assurances from the administration, things are not going to be fixed once Inclusion Area D comes online, whenever that finally happens. Roger's presentation to the Faculty Senate showed that even under best-case assumptions, the planned housing developments on campus will lag behind faculty demand for the foreseeable future, sometimes significantly so, even if all such housing goes to faculty; and the recent housing office presentation indicated that they will recommend that 50% of new housing be offered to non-Senate employees, with an initially larger percentage to make up for the fact that staff currently occupy almost no on-campus housing. Taken together, it seems that the current dismal housing situation on campus can be expected to continue unabated. It is my opinion -- and this opinion is widely shared within Engineering -- that unless the university deals with this issue, the aggressive growth of the School of Engineering outlined in our ten-year plan is in serious jeopardy, and I can only imagine that other Divisions must be facing similar problems. We just don't see how we can hire the best people out there if they can't afford to live here. I urge the Committee on Faculty Welfare to make housing a high-priority problem to be addressed in its discussions with the administration. Please let me know if any additional information would be helpful.

Best wishes, David Draper

Letter from Ira Pohl (Comp. Sc.) to the Special Academic Committee on Affordable Housing
re. the housing problem:

To:Committee on Faculty Welfare
Re:Need for faculty housing support

From: Professor Ira Pohl, Chair Computer Science

As is well known Santa Cruz is one of the most unaffordable locations in the country. This puts us at an extreme disadvantage when recruiting new faculty. In the past few years the previous CS chairs have mentioned to me a large number of accounts of faculty offers being turned down because of housing costs. Last year alone, something like 9 of the 10 people who turned down CS offers said that the housing situation was a principal factor in their decision, while the two people CS did hire both had strong reasons for being in this area. This experience is shared by other chairs in Baskin SOE, notably see the letter on this matter from Chair Draper. Our ten year plan calls for hiring approximately 20 new faculty in CS and ISM. The quality of these hires will be strongly affected by any support they are given for housing costs.

Yours,

Ira Pohl